

January 4, 2024

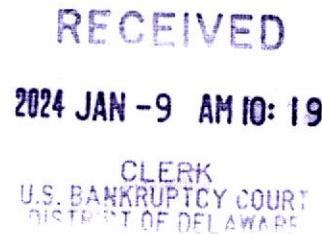
Honorable Judge John Dorsey

824 N Market St

5th Floor, Courtroom 5

Wilmington, DE 19801

302-533-3169



**Objection to Motion of Debtors to estimate claims based on digital assets, Case No. 22-11068 (JTD)**

Dear Honorable Judge John Dorsey,

I hope this letter reaches you well. I formally object to the debtor's request for an order to estimate Claims (including Customer Entitlement Claims) based on the amounts outlined in the Digital Assets Conversion Table, because this request unfairly calculates the claims of FTT customer creditors.

The debtor submitted this conversion table, referring to the contents of Dr. Howell's report.<sup>1</sup> I'm a customer creditor with an equivalent value of US\$10M at the time of the bankruptcy petition. As one of the many FTT claims creditors, I would like to raise an objection to the basis for calculating the Digital Asset Conversion Table.

Here are a few key points to consider when valuing FTT claims:

**- The concept of FTT and its difference from FTX-equity**

In the FTX exchange, FTT was used by customers as a **currency** in several ways. i) FTT served as a currency for bidding in Initial Exchange Offerings (IEOs) of new tokens within FTX. ii) FTT was required as a currency and collateral for discounting taker transaction fees, especially for high-volume traders seeking to minimize these fees.

FTT functioned as a "**utility currency**" within the FTX ecosystem, distinct from "platform governance rights" or "exercise of equity rights" that might be associated with FTX-equity.<sup>2</sup> The FTT whitepaper does not mention "equity" anywhere, indicating no basis for grouping FTT with FTX-equity as the debtor suggests.<sup>3</sup> Unlike FTT, which was freely traded in the open market, FTX-equity was sold to a limited number of customers in a specific period.

**- FTT and FTT-perpetual**

Perpetual futures allow traders to speculate on the price movements of an underlying asset without actually holding it.<sup>4</sup> The spot refers to the underlying asset of the perpetual, and fundamentally, as the value of the spot changes, so does the intrinsic value of the perpetual. Therefore, if the price of the spot changes due to market mechanisms, the value of the index also changes, altering the intrinsic value of the perpetual.

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<sup>1</sup> Expert Report of Sabrina T. Howell In "Declaration of Sabrina T. Howell in Support of the Motion of Debtors to Estimate Claims Based on Digital Assets", Doc. 5203, December 27, 2023.

<sup>2</sup> Howell, Sabrina T., Marina Niessner, and David Yermack, "Initial Coin Offerings: Financing Growth with Cryptocurrency Token Sales", The Review of Financial Studies, Vol. 33, No. 9, 2020.

<sup>3</sup> FTT whitepaper, <https://whitepaper.io/document/502/ftx-token-whitepaper>, pp. 5-8.

<sup>4</sup> Damien Ackerer, Julien Hugonnier, Urban Jermann, "Perpetual Futures Pricing", SSRN, October 16, 2023, pp. 1-30.

FTT-perpetual, a derivative that moves based on the index prices in the FTT-USD and FTT-USDT markets of the FTX exchange, should also change in positive correlation if the value of FTT changes, due to the characteristics of the product.

The debtor plans to set the price of **FTT-perpetual at \$1.977** as the final price on the bankruptcy date, while valuing **FTT at \$0**. This approach neglects the fundamental characteristics of the perpetual futures, and it seems to favor certain stakeholders' interests over others. Such actions are contrary to the principle of fair and equitable treatment in bankruptcy proceedings.

**- FTT as an entity in the blockchain ecosystem**

In the blockchain ecosystem, there are several influential factors that can be considered when pricing a specific token.<sup>5</sup> Apart from its inherent functional value used in exchanges, some key factors need to be considered as follows, i) whether it is listed on major exchanges, ii) the amount of the coin in circulation relative to its total issuance, iii) the number of user wallets using the token. Many coins in the blockchain ecosystem have value for their mere existence, irrespective of their inherent functional value.

The market capitalization of FTT is currently about \$1 billion, and it is listed on more than 40 exchanges.<sup>6</sup> Even now, FTT continues to be transferred among users within the ERC/BEP/SOL blockchain ecosystem and is being traded at a specific price, **not zero**, across the exchanges.

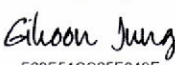
Based on the detailed key points presented, it is clear that grouping FTT with FTX-equity and assigning FTT a zero value, as proposed by the debtor, undermines the property rights of all FTT claims creditors.

I respectfully request the rejection of this unjustified valuation method and call for a fair and equitable resolution to this critical legal matter. I trust that you will seriously consider this objection in order to maintain the fairness and integrity of the bankruptcy proceedings.

Thank you for your attention to this matter.

Sincerely,

Gihoon Jung

DocuSigned by:  
  
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2024-01-03

<sup>5</sup> Qiyu Wang, Terence Tai-Leung Chong, "Factor pricing of cryptocurrencies", *The North American Journal of Economics and Finance*, Volume 57, July 2021, 101348.

<sup>6</sup> CoinMarketCap, <https://coinmarketcap.com/currencies/ftx-token/>



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